

News

United States
Department
of Labor



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DECEMBER 2002 CONSUMER PRICE INDEX HOUSTON-GALVESTON-BRAZORIA, TEXAS

Retail prices in the Houston-Galveston-Brazoria metropolitan area fell 1.7 percent during November/December, the Bureau of Labor Statistics of the U.S. Department of Labor reported today. Regional Commissioner Bob Gaddie stated that declines in the year-end survey period are typical, having occurred in 18 of the last 20 years, as lower winter electric rates tend to push housing costs downward. Following this pattern, a decrease in the overall housing index was the largest single factor in the current bimonthly movement. However, smaller declines took place in six of the eight major components and contributed to the year-end decline. The Regional Commissioner noted that because these data are not adjusted for seasonal price variation, consumers and businesses should be cautious in drawing conclusions about long-term retail price trends from short-term changes in the Consumer Price Index.

The Houston Consumer Price Index for All Urban Consumers (CPI-U) stood at 159.8 (1982-84=100) in December, 1.7 percent above the year-ago level. A typical market basket of goods and services that cost \$100.00 in 1982-84, therefore, cost \$159.80 last month. The 2002 calendar year gain was substantially higher than the 2001 rise of 0.6 percent. However, it was still well below the 1999 and 2000 increases of 2.9 percent and 3.9 percent, respectively. Turnarounds in the apparel and transportation categories led to the latest acceleration. The cost of clothing increased 9.9 percent in 2002 compared to an 11.4-percent drop in 2001. Similarly, the transportation index increased 4.6 percent in 2002 after declining 4.1 percent the previous year.

The housing index dropped 3.6 percent in November/December with each of the three sub-components recording lower prices during the period. Seasonal factors played a significant role as the introduction of winter rate schedules helped push the electricity index down 16.4 percent. Equally important to the bimonthly housing decline was a drop in the shelter category. Within shelter, owners' equivalent rent fell 0.9 percent and when combined with a sharp drop in hotel and motel rates helped to drive the shelter index down 2.4 percent. This was the largest bimonthly drop since May/June 1987. The cost of household furnishings and operations fell 2.2 percent with lower prices noted for a wide range of goods and services. During 2002, the total cost of housing rose 1.0 percent compared to 2.3 percent in 2001. The 2002 deceleration resulted from a 14.6-percent drop in electricity and natural gas prices, as shelter and household furnishings and operations rose 3.4 percent and 1.6 percent, respectively.

Houston Consumer Price Index – December 2002 (Continued)

The transportation index fell 1.1 percent in November/December as lower prices for gasoline and used cars more than offset higher airline fares. Gasoline costs dropped 5.0 percent during the bimonthly period with the entire decline actually occurring in December. This was the first monthly decrease since July. The average price for a gallon of gasoline was \$1.402 in December. Primarily due to double-digit monthly gains registered in March and April, the gasoline index rose 26.9 percent over the year. As a result, total transportation costs rose 4.6 percent, their sharpest annual increase since August 2000. The transportation category alone accounted for one-half of the overall 12-month increase in local consumer prices.

The apparel index fell 2.7 percent in November/December after jumping 9.2 percent in September/October and 8.8 percent in July/August. Costs fell for many types of clothing, but most notably for men's pants and shorts as well as women's suits and separates. However, the bimonthly decline did little to offset the other recent gains and as a result the index was 9.9 percent above a year ago. This compared to the record-setting 12-month decline of 11.4 percent registered in December 2001 and marked the first annual increase in apparel costs since the year ended in February 2001.

While lower prices for housing, transportation, and clothing were the biggest factors in the overall bimonthly decline, several other categories also registered decreases. Food and beverage costs fell 0.2 percent in the final two months of 2002. A 3.5-percent drop in alcoholic beverage prices countered 0.1-percent gains for both grocery items and restaurant meals. Over the year, grocery prices fell 2.1 percent, alcoholic beverages declined 4.8 percent, and restaurant meals edged up 0.8 percent. When combined, total food and beverage costs fell 1.0 percent during the year ended in December 2002, the sharpest annual decline since April 1993. The index for other goods and services fell 0.7 percent in November/December, while annual costs rose a modest 0.4 percent. Education and communication costs slipped 0.2 percent in November/December and were up 0.8 percent for all of 2002. Only two major components recorded gains during the final two months of 2002. Medical care prices rose 1.6 percent in November/December and the cost of recreation increased 0.5 percent.

Reviewing the latest calendar year movements, the rate of increase in overall prices accelerated in Houston during 2002 -- up 1.7 percent as opposed to 0.6 percent in 2001. As mentioned previously, the two most important factors in the acceleration were turnarounds in transportation and apparel costs. Medical care continued to outpace most other categories with a 5.9-percent increase in 2002 compared with 4.9 percent in 2001. The rate of change in the remaining components slowed or turned negative during the latest year. Housing costs rose 1.0 percent in 2002 after increasing 2.3 percent in 2001. The other goods and services index moved up just 0.4 percent in the last 12 months after increasing 6.0 percent in 2001. Food and beverage prices fell 1.0 percent during 2002 following a 2.0-percent gain in 2001, while the recreation index declined 3.4 percent after registering no change in 2001.